

# MARKET SEGMENT ASSESSMENT.1

## VACATION RENTALS ON KAUAI:

FEBRUARY 2004 [Revised]

### Where are they?

- ▲ With 2,678 units, including 1,928 condos and 750 private homes and cottages, vacation rentals comprise 11% of all housing, and 31% of all rentals.
- ▲ Seasonal housing is found in every town and 98% of Kawaiians live in Census blocks with 5 or more units.
- ▲ 78% of vacation rental units are located within a VDA, and 53% of non-VDA units are on the Northshore.

### Who Uses Them?

- ▲ Repeat visitors prefer more lodging options, and 38% now stay in vacation rentals.
- ▲ Vacation rental patrons are twice as likely to visit local markets and craft fairs as the average visitor.
- ▲ Vacation rentals cost less on average and patrons come from all income groups.

### What is the impact?

- ▲ This \$100 million segment serves over 300,000 visitors, generates 30% of lodging dollars and supports 1,600 jobs.
- ▲ From 1990-2000, no town lost long-term rentals due to increased short-term rentals.
- ▲ Vacation rentals give Kauai more diversified lodging options than other islands.

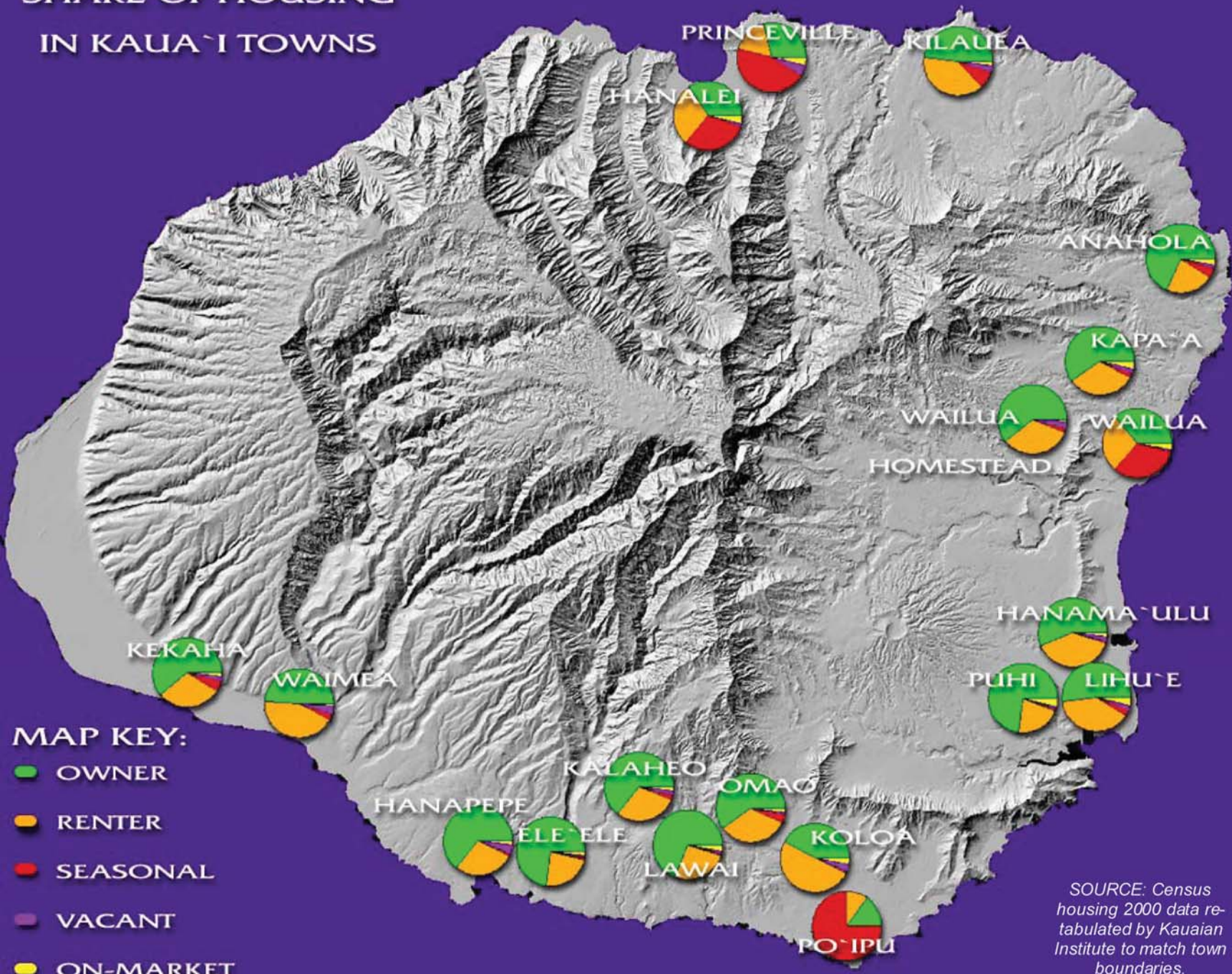
### CHALLENGE:

Vacation rentals have evolved with unclear regulations and selective enforcement.

### OPPORTUNITY:

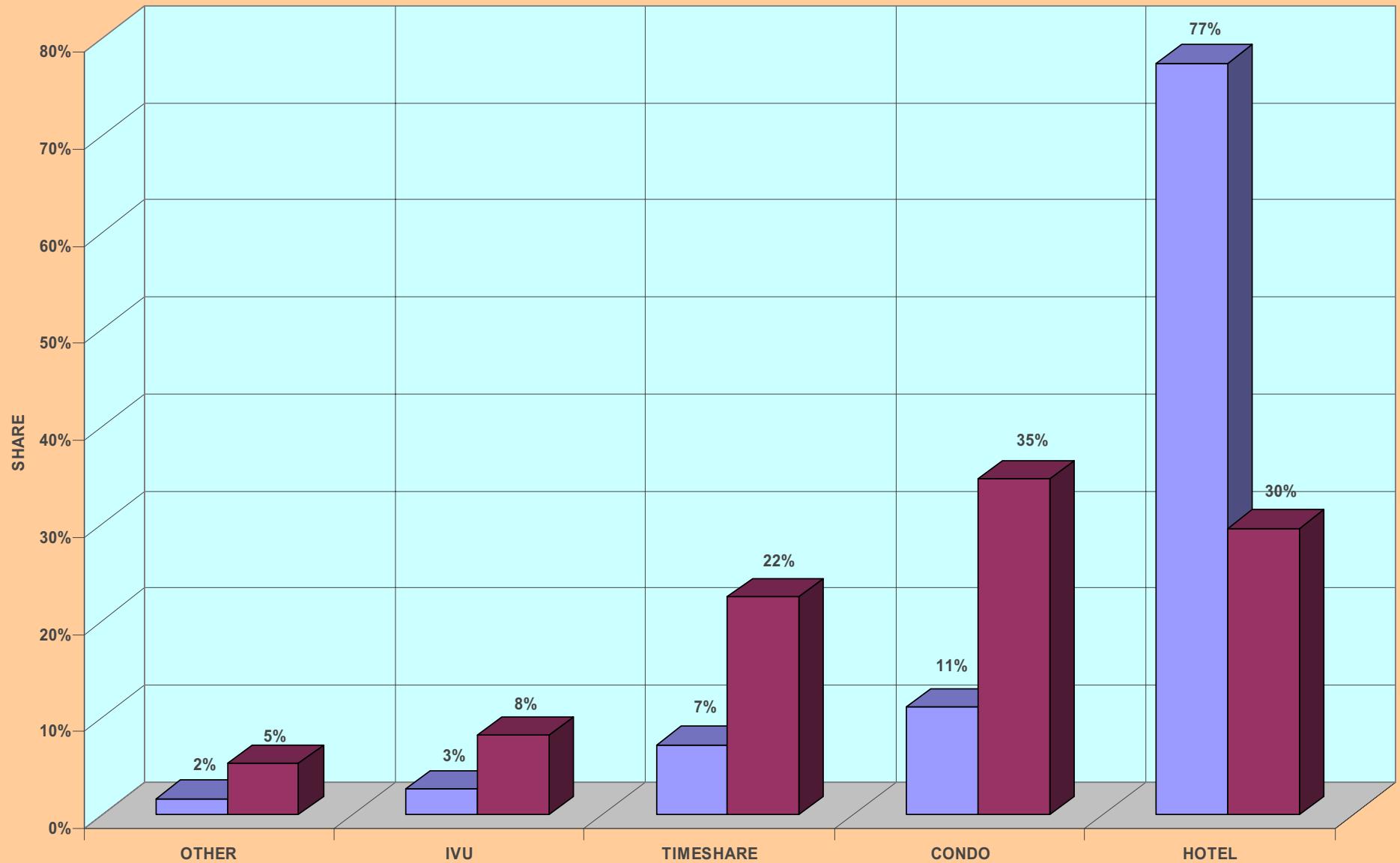
Vacation rentals are a significant and differentiating asset.

# SHARE OF HOUSING IN KAUA'I TOWNS



SOURCE: Census housing 2000 data re-tabulated by Kauaian Institute to match town boundaries.

## KAUA'I LODGING, 1ST-TIME & REPEAT VISITORS



■ 1ST-TIMER ■ REPEATER

Source: 2003 DBEDT Annual Visitor Research Report

ECONOMIC IMPACT OF VACATION RENTALS, 2002		
TYPE OF IMPACT	VALUE	SHARE
Vacation rental activity on Kaua`i *		
Vacation rental revenue	\$102 million	10% of visitor spending
Economic activity generated on Kaua`i **		
Total output	\$150 million	11% of island output
Household income	\$41 million	5% of island income
Service, real estate, info and finance jobs	986	6% of island jobs
Trade, industry and government jobs	591	
State and county taxes generated ***		
Transient Accommodations Tax	\$7.4 million	29% of island payments
General Excise Tax	\$4.0 million	8% of island payments
Property Tax	\$3.3 million	9% of island payments

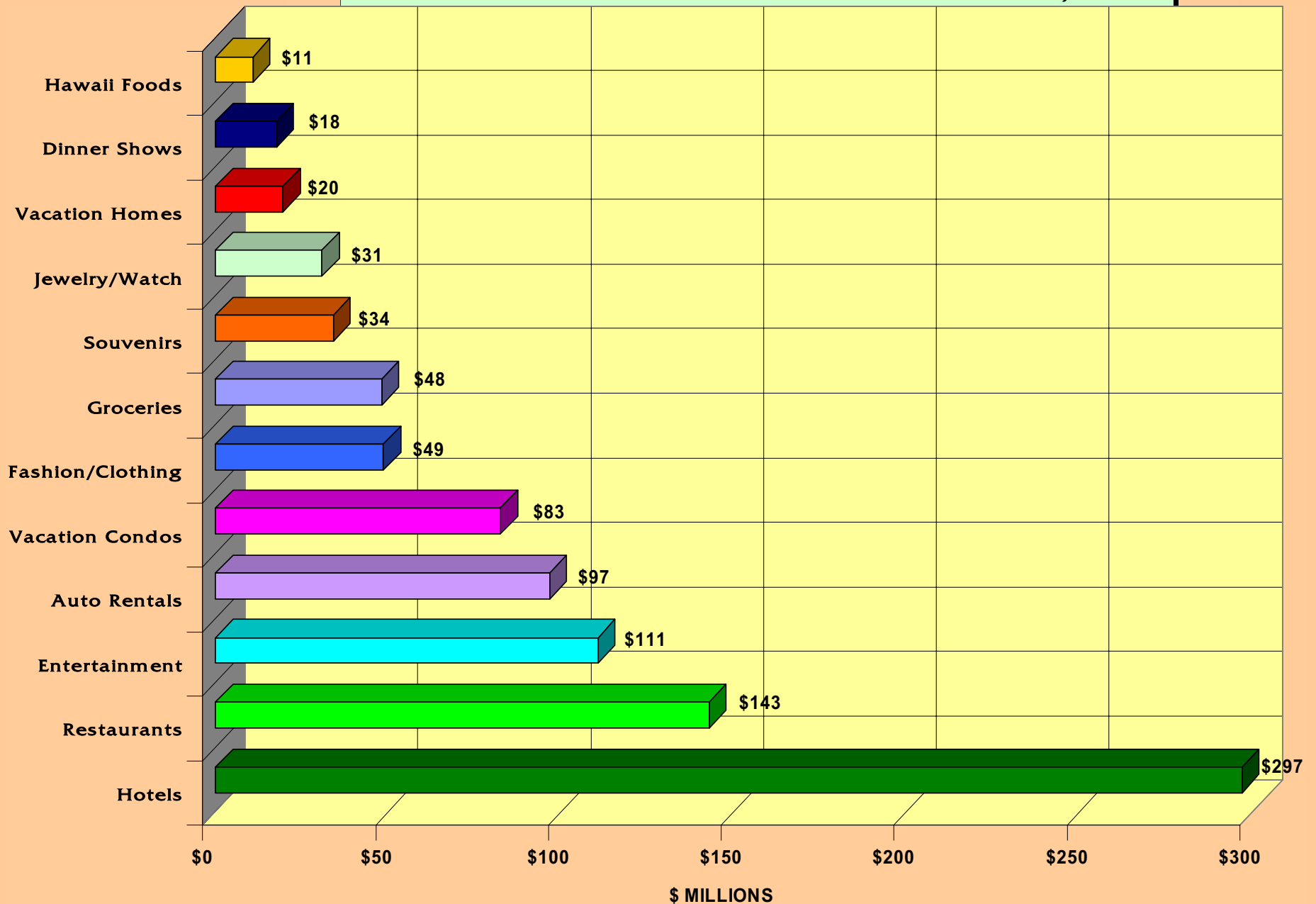
**Source: The Kauaian Institute**

\* Estimated from DBEDT data for vacation rental share of visitor spending on lodging.

\*\* Estimated from DBEDT I-O data and induced impact multipliers for island lodging.

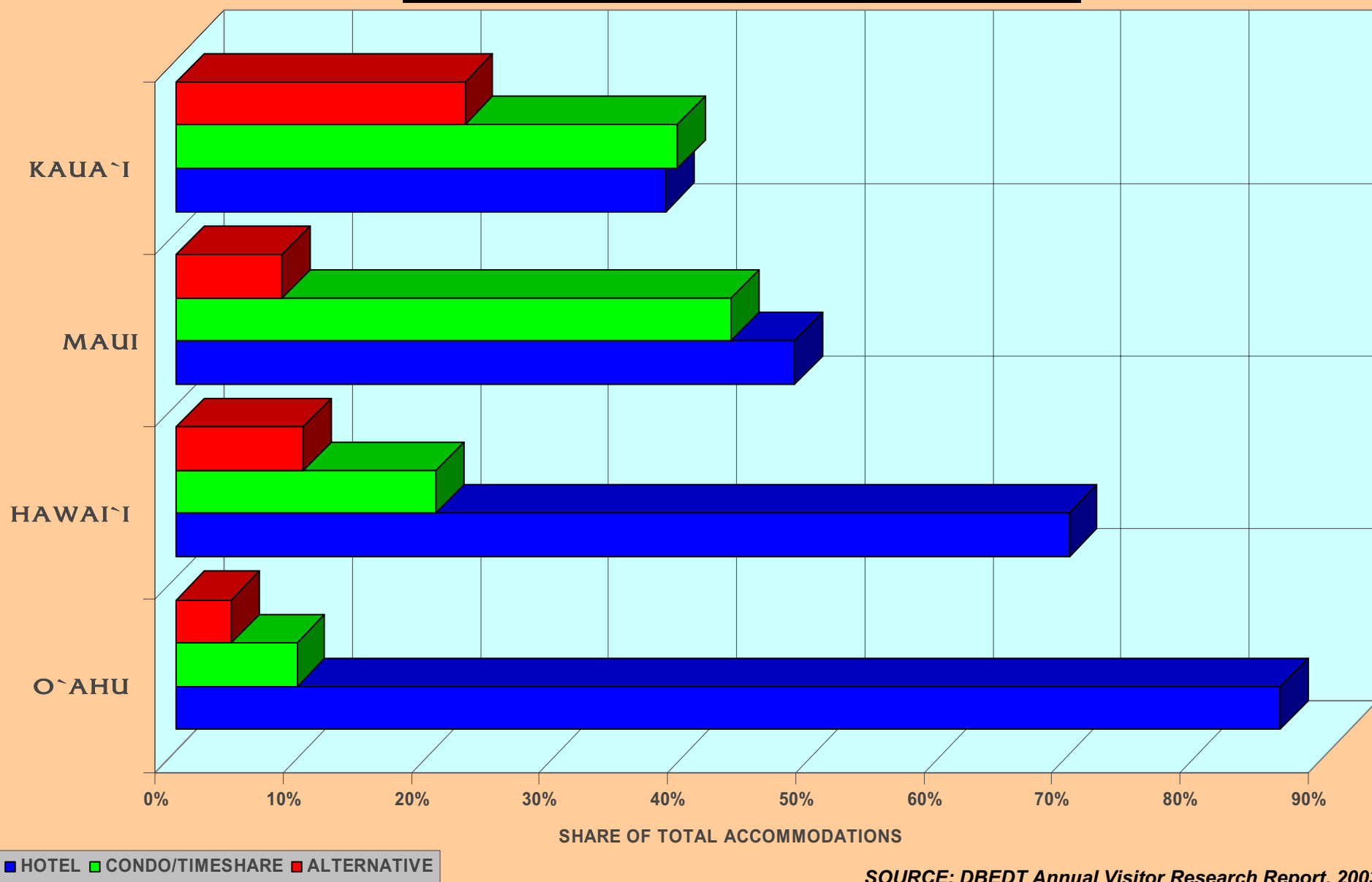
\*\*\* Estimated from DBEDT visitor spending data and County property assessment data.

## KAUAI VISITOR SPENDING BY CATEGORY, 2004



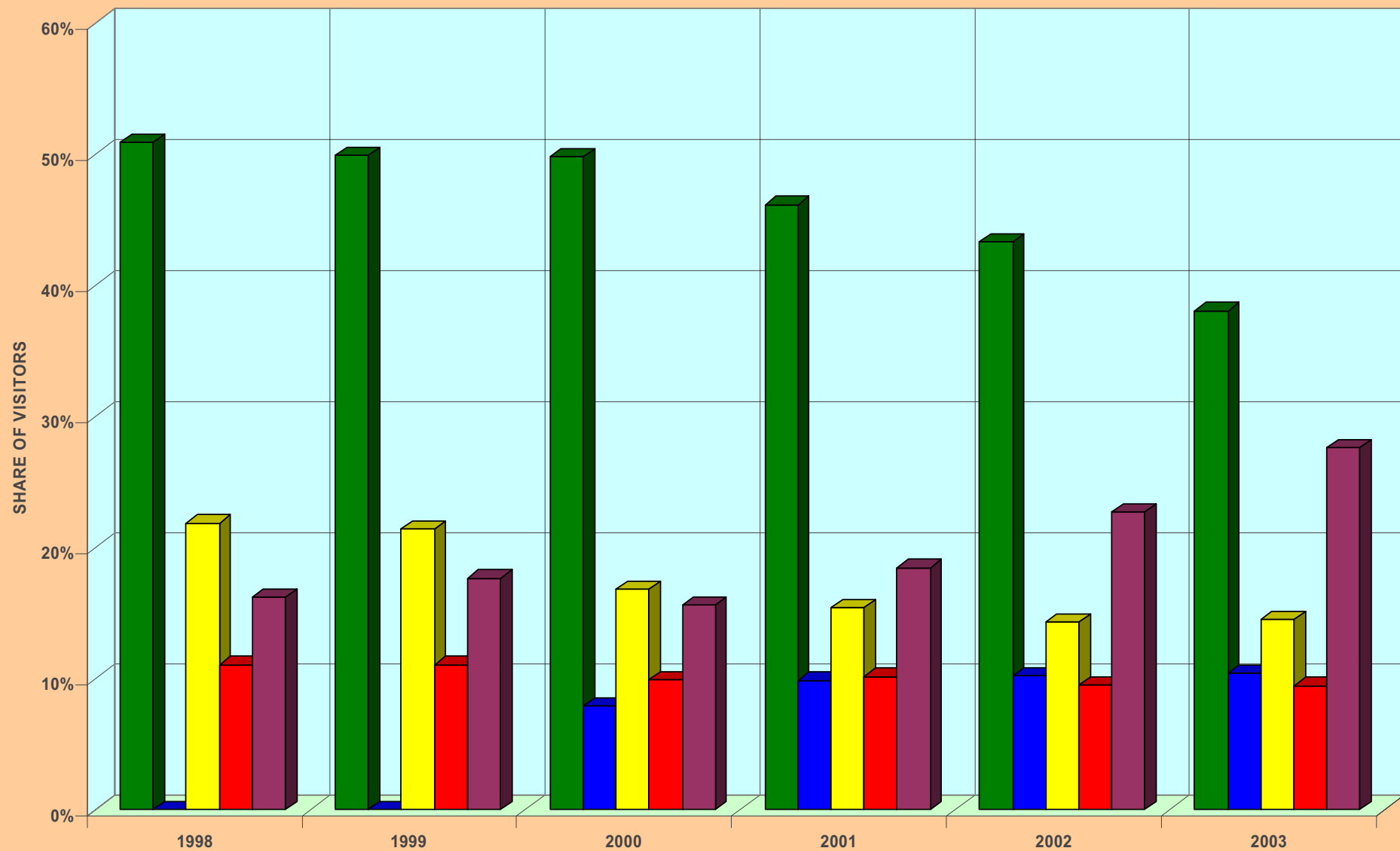
Source: DBEDT & KAUAIAN INSTITUTE

## COMPARATIVE ISLAND LODGING SHARES



SOURCE: DBEDT Annual Visitor Research Report, 2003

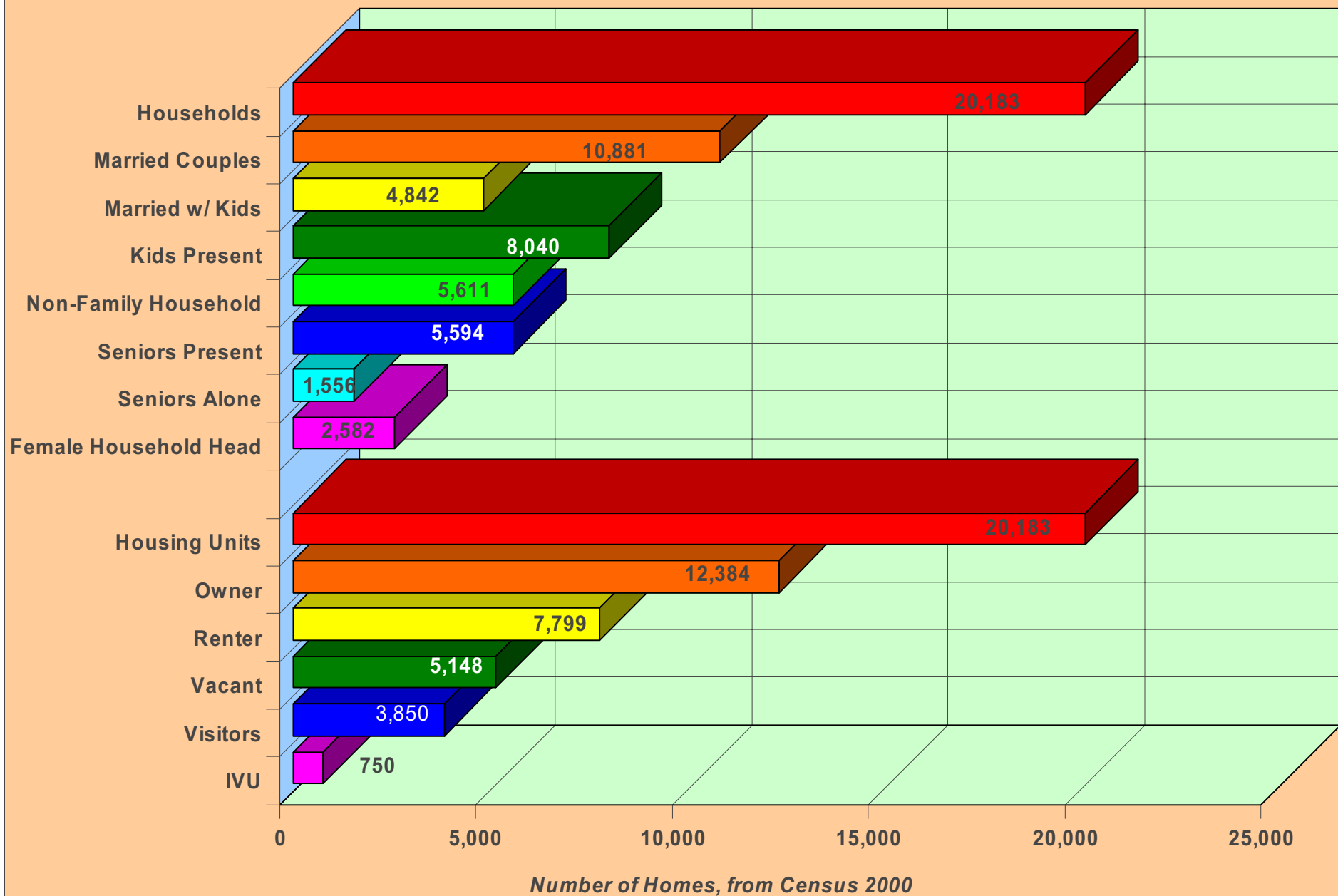
# VISITOR SHARE OF ACCOMMODATIONS, 1998 - 2003



■ Hotel 
 ■ Timeshare 
 ■ Condo 
 ■ Other 
 ■ Mixed

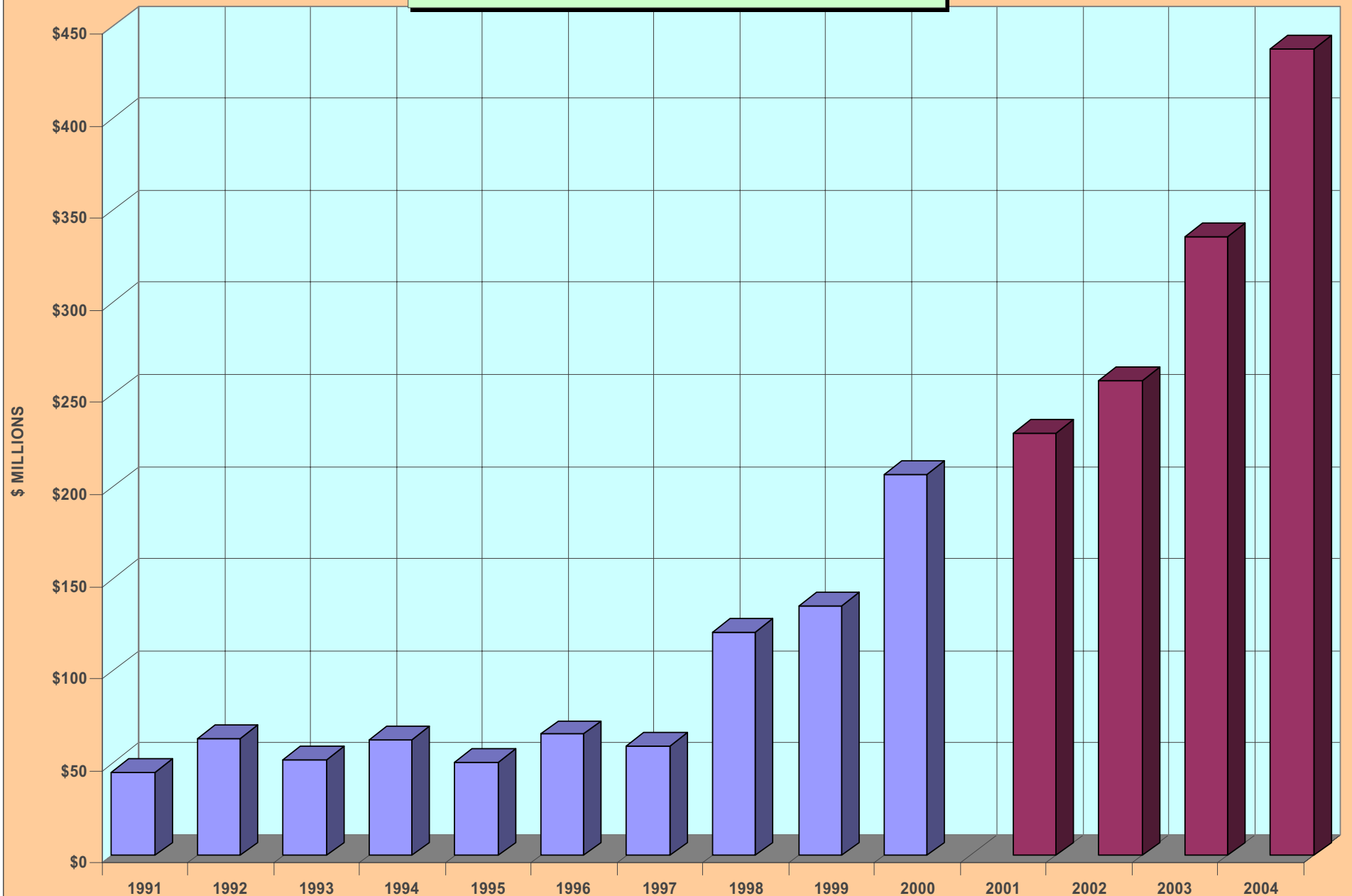
Source: DBEDT Annual Visitor Research Report

## Kauaian Homes, by Type and Tenure



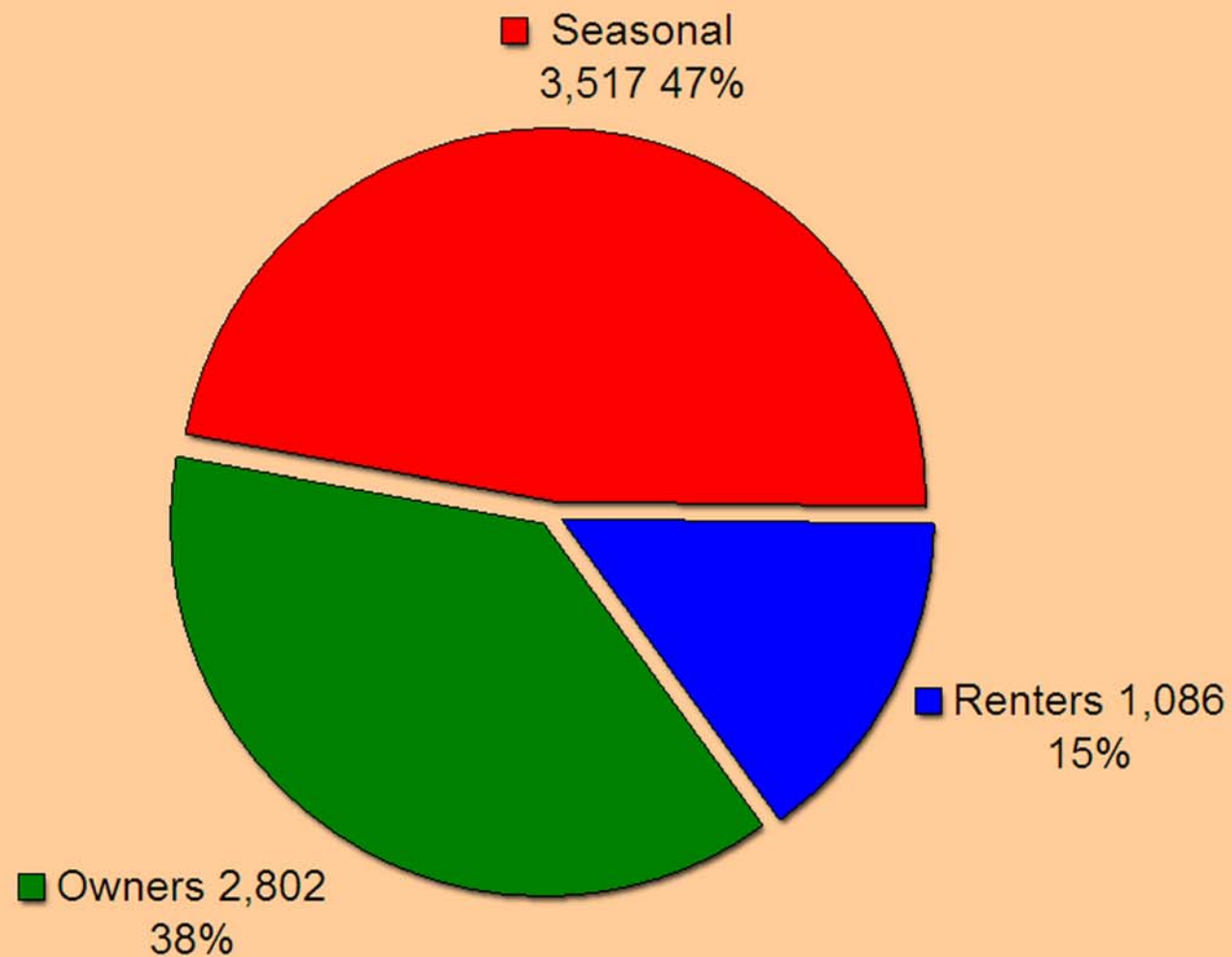


## KAUAI RESIDENTIAL SALES VOLUME



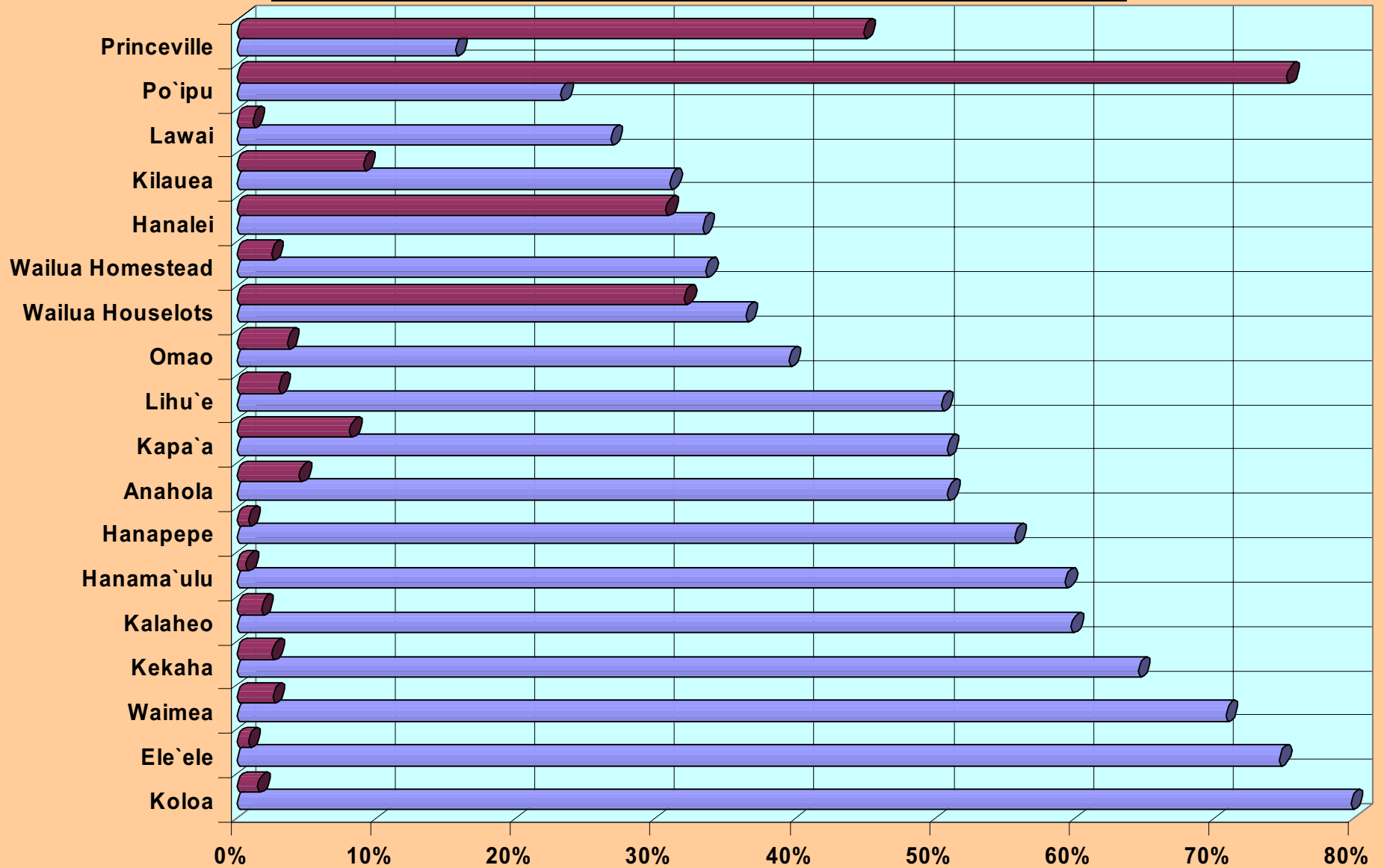
SOURCE: The Kauaian Institute based on MLS data

**DISTRIBUTION OF NEW HOUSING TYPES ON KAUA'I, 1990-2000**



**TOTAL NEW UNITS:  
7,718**

## LOW RENT VS SEASONAL SHARE IN KAUA'I TOWNS



■ Low Rent \* Share of Rentals ■ Seasonal Share of all Units

**SOURCE: Census 2000**

## MARKET SEGMENT ASSESSMENT.2

# INDIVIDUAL VACATION UNITS: LOCATION & OCCUPANCY

FEBRUARY 2005

### How many are there?

- ▲ A Total of 750 individual vacation units (IVUs) have been identified.
- ▲ Of these, 628 (or 84%) are managed by a rental company.
- ▲ Additionally, a total of 172 bed-and-breakfast units (B&Bs) have been identified.

### Where are they located?

- ▲ There are 22 towns and neighborhoods which have at least 1 IVU.
- ▲ There are 545 IVUs outside the VDAs, or 72% of the total.
- ▲ Fully 53% of IVUs and 19% of B&Bs are found on the Northshore.

### What are occupancy rates?

- ▲ In 2004, IVUs were occupied 57% of the time on average.
- ▲ IVUs had paying guests an average of 48% of the time.
- ▲ One-third of units had occupancies below 40% and only 11% of units had occupancies over 70%.

## HOW BIG A DEAL?

- ▲ There is 1 alternative accommodation (IVUs and B&Bs) for every 7.2 conventional units (hotels, condos, and timeshare).
- ▲ With 5,900 long-term single-family rentals, the 922 IVUs and B&Bs comprise 14% of all such rentals.
- ▲ The estimated \$20 million annual revenue generated by vacation homes is comparable to visitor spending on dinner shows.

## WHAT IMPACT ON HOUSING?

- ▲ Almost half of all new housing has been built for the vacation rental market, and barely 1,000 of the 2,050 new units since 2000 are for local families.
- ▲ Few of these new units are located in primary rental markets with large shares of low-rent units.
- ▲ In some areas, the combination of vacation rentals and B&Bs comprise over half of all single-family rental units.

# VISITOR ACCOMMODATIONS IN KAUAI TOWNS, 2005

								BENCHMARK DATA <sup>(b)</sup>			SHARE INDICATORS	
		VACATION RENTALS		OTHER ACCOMMODATIONS			TOTAL UNITS <sup>(a)</sup>	All <sup>(c)</sup> Housing	LT SF Rentals**	Owner Occupied	Short Term % of Rentals	IVU/Condo % of Housing
	TOWN	IVUs*	Condos	Timeshare	Hotel Rooms	B&Bs						
WEST SIDE	Hanapepe	2	0	0	0	1	3	749	188	558	1%	0%
	Kekaha	34	0	0	0	0	34	1,156	299	823	10%	3%
	Makaweli	1	0	0	0	0	1	106	91	14	1%	1%
	Waimea	7	1	0	58	1	67	682	236	437	3%	1%
	<b>Subtotal</b>	<b>44</b>	<b>1</b>	<b>0</b>	<b>58</b>	<b>2</b>	<b>105</b>	<b>2,693</b>	<b>814</b>	<b>1,832</b>	<b>5%</b>	<b>2%</b>
SOUTH SHORE	Kalaheo	32	0	0	0	8	40	1,522	430	1,074	7%	2%
	Koloa	4	0	0	0	12	16	748	222	511	2%	1%
	Lawai	10	0	0	0	14	24	775	183	576	5%	1%
	Maha`ulepu	1	0	0	0	0	1	1	0	0	100%	100%
	Omao	2	0	0	0	0	2	418	132	284	1%	0%
	Po`ipu	121	812	338	1,015	31	2,317	1,981	141	536	46%	47%
	<b>Subtotal</b>	<b>170</b>	<b>812</b>	<b>338</b>	<b>1,015</b>	<b>65</b>	<b>2,400</b>	<b>5,445</b>	<b>1,108</b>	<b>2,981</b>	<b>13%</b>	<b>18%</b>
EAST SIDE	Anahola	42	0	0	0	8	50	613	130	433	24%	7%
	Kapa`a	54	0	0	0	21	75	3,667	1,287	2,318	4%	1%
	Lihu`e	4	54	364	816	0	1,238	2,429	448	1,559	1%	2%
	Wailua	40	530	382	949	43	1,944	2,906	871	1,063	4%	20%
	<b>Subtotal</b>	<b>140</b>	<b>584</b>	<b>746</b>	<b>1,765</b>	<b>72</b>	<b>3,307</b>	<b>9,615</b>	<b>2,736</b>	<b>5,373</b>	<b>5%</b>	<b>8%</b>
NORTH SHORE	Anini	41	0	0	0	1	42	77	16	19	72%	53%
	Ha`ena/Wainiha	92	48	0	0	2	142	422	86	194	52%	33%
	Hanalei	112	0	0	0	12	124	311	91	96	55%	36%
	Kalihiwai	1	0	0	0	5	6	94	7	81	13%	1%
	Kilauea	55	0	0	0	6	61	802	272	470	17%	7%
	Moloa`a	14	0	0	0	0	14	86	17	55	45%	16%
	Princeville	80	483	573	252	5	1,393	1,641	186	314	30%	34%
	Waipake	1	0	0	0	2	3	44	7	34	13%	2%
	<b>Subtotal</b>	<b>396</b>	<b>531</b>	<b>573</b>	<b>252</b>	<b>33</b>	<b>1,785</b>	<b>3,477</b>	<b>682</b>	<b>1,263</b>	<b>37%</b>	<b>27%</b>
	<b>TOTAL</b>	<b>750</b>	<b>1,928</b>	<b>1,657</b>	<b>3,090</b>	<b>172</b>	<b>7,597</b>	<b>24,033</b>	<b>5,857</b>	<b>12,366</b>	<b>11%</b>	<b>11%</b>

\* IVUs = individual vacation units (single-family homes) for short-term rental

\*\* LT SF Rentals = Long-term single family rental units

NOTE: Hotels not included in All housing <sup>(c)</sup>.

Sources: The Kauaiian Institute, derived from field research, DBEDT <sup>(a)</sup> and Census <sup>(b)</sup> data.

IVU & B&B counts based on detailed search of internet, island advertising, DBEDT and manager records through Jan 05.

Towns not included above:			
Hanama`ulu	908	369	533
Ele`ele	631	146	476

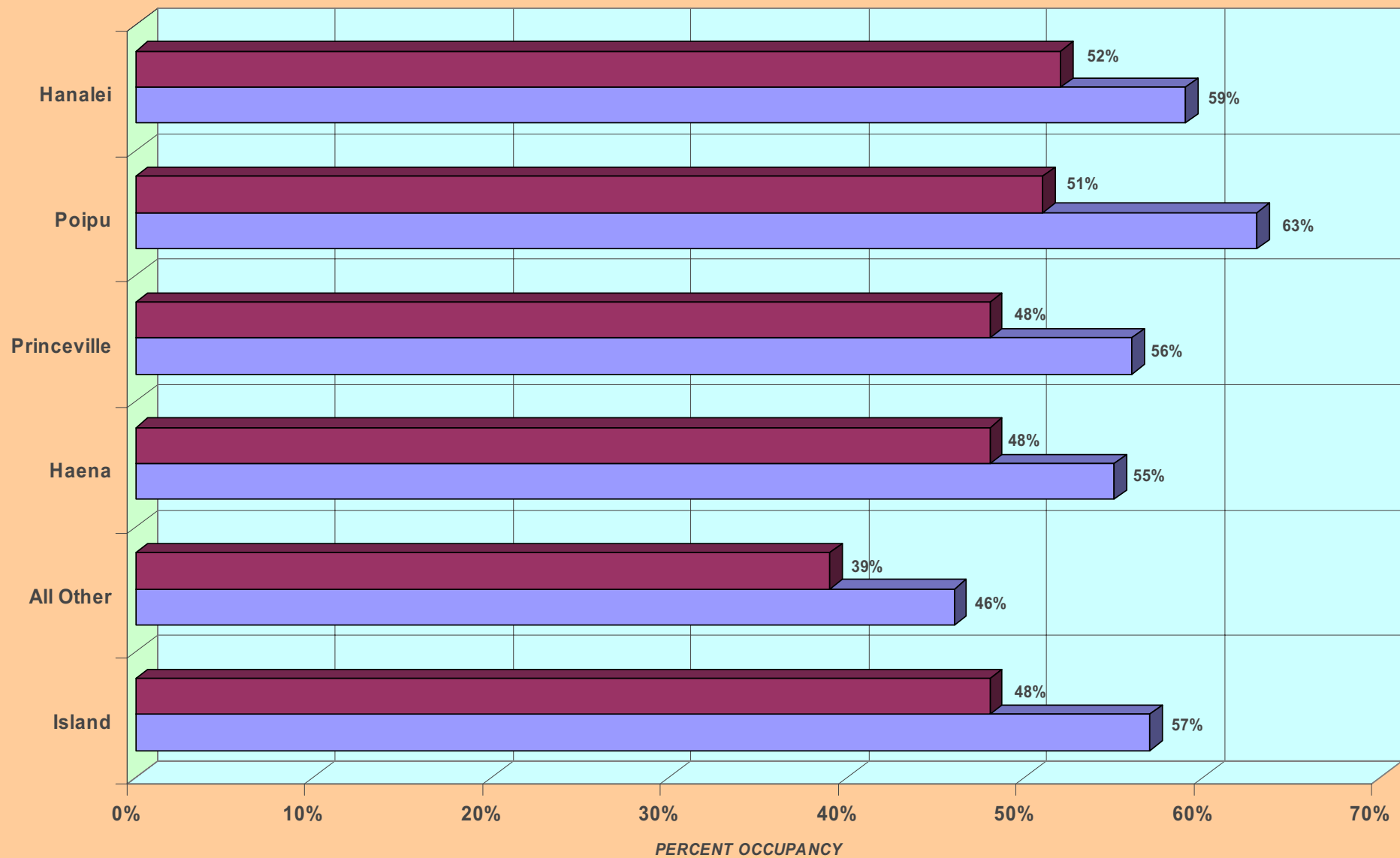


# LOCATION OF VACATION RENTALS

1 UNIT



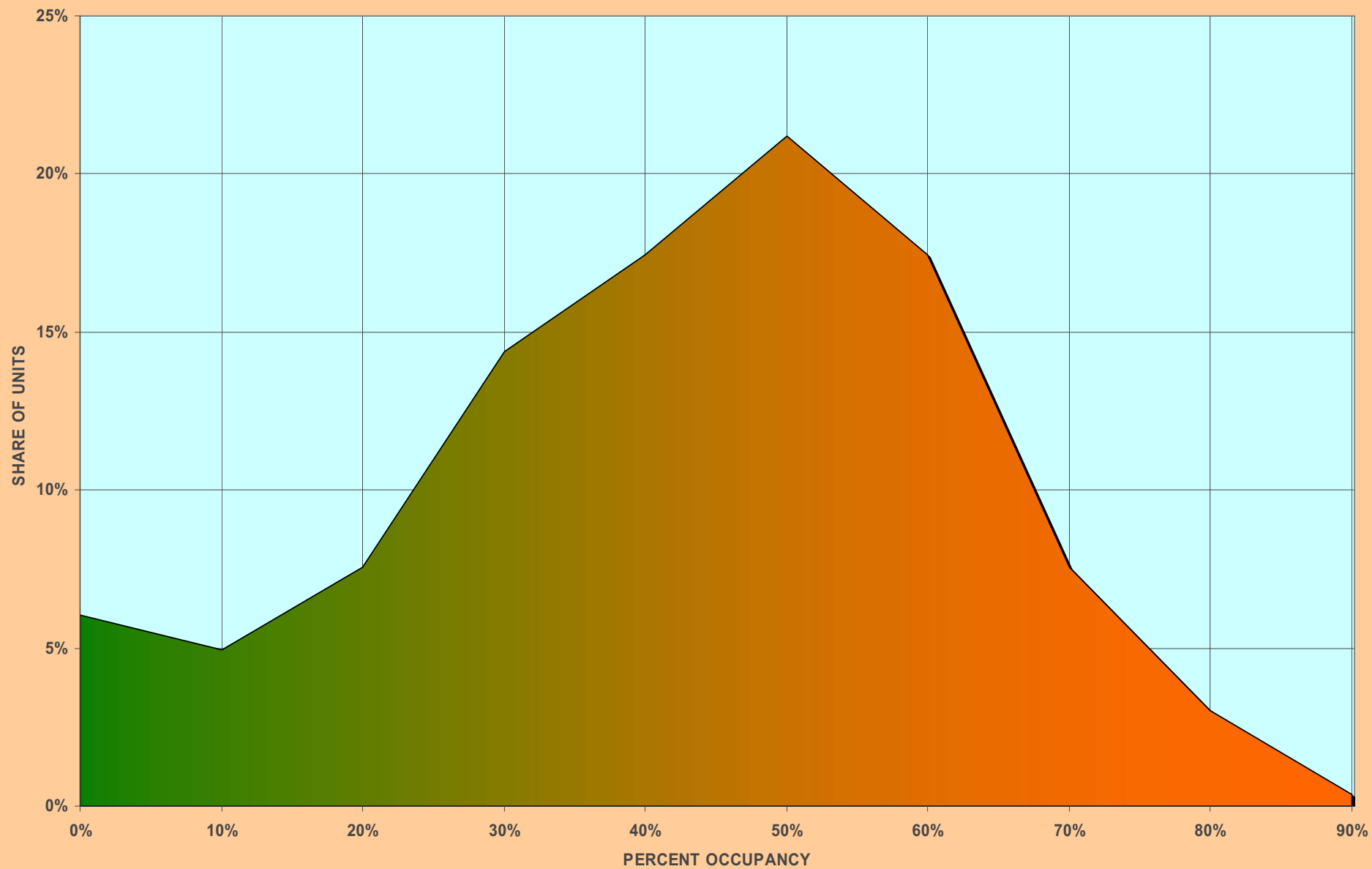
## OCCUPANCY RATES IN VACATION RENTALS, 2004



■ Occupied ■ Revenue Occupancy

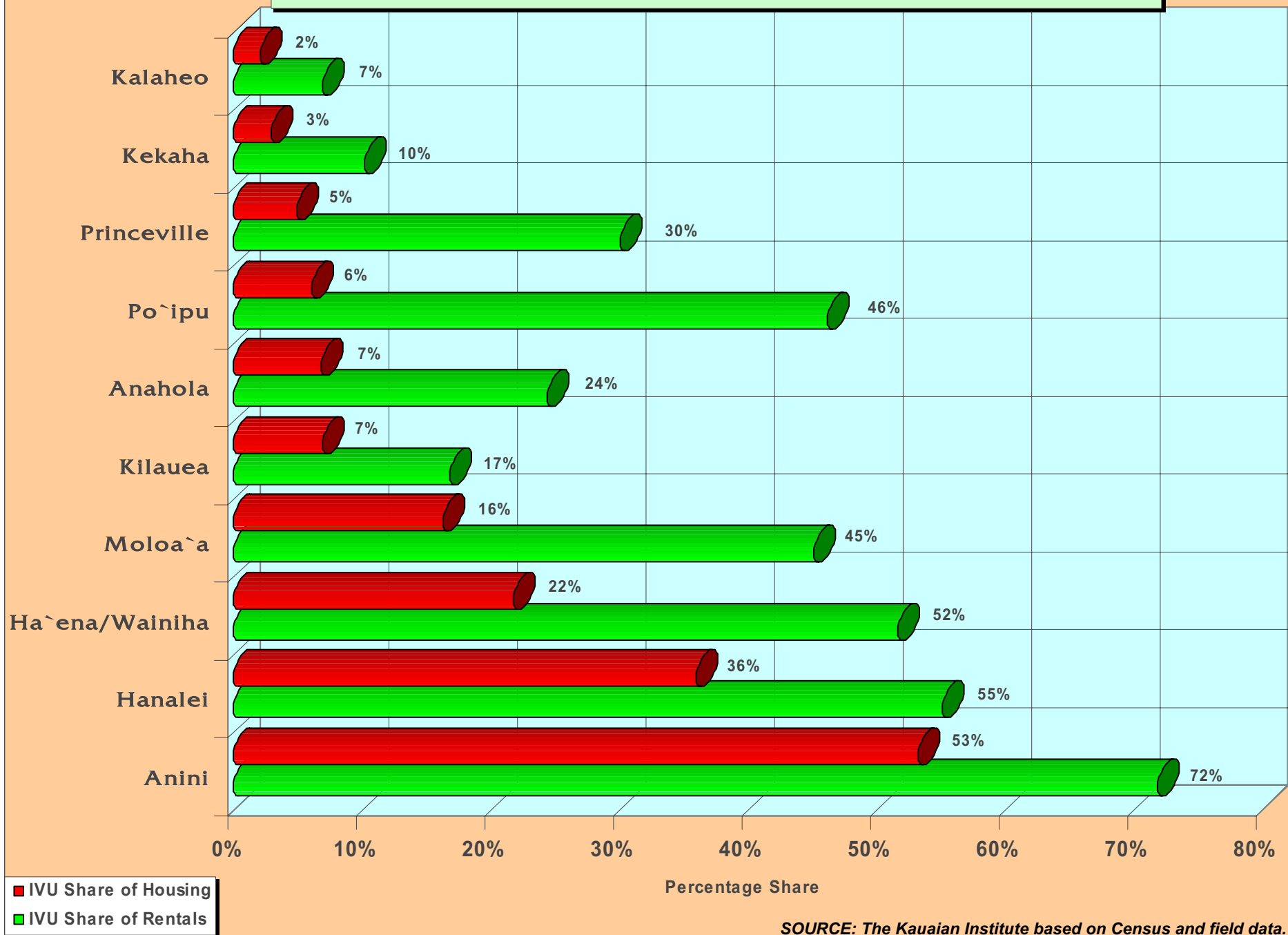
Source: The Kauaian Institute, based on a 35% sample.

**DISTRIBUTION OF VACATION RENTAL OCCUPANCY RATES, 2004**



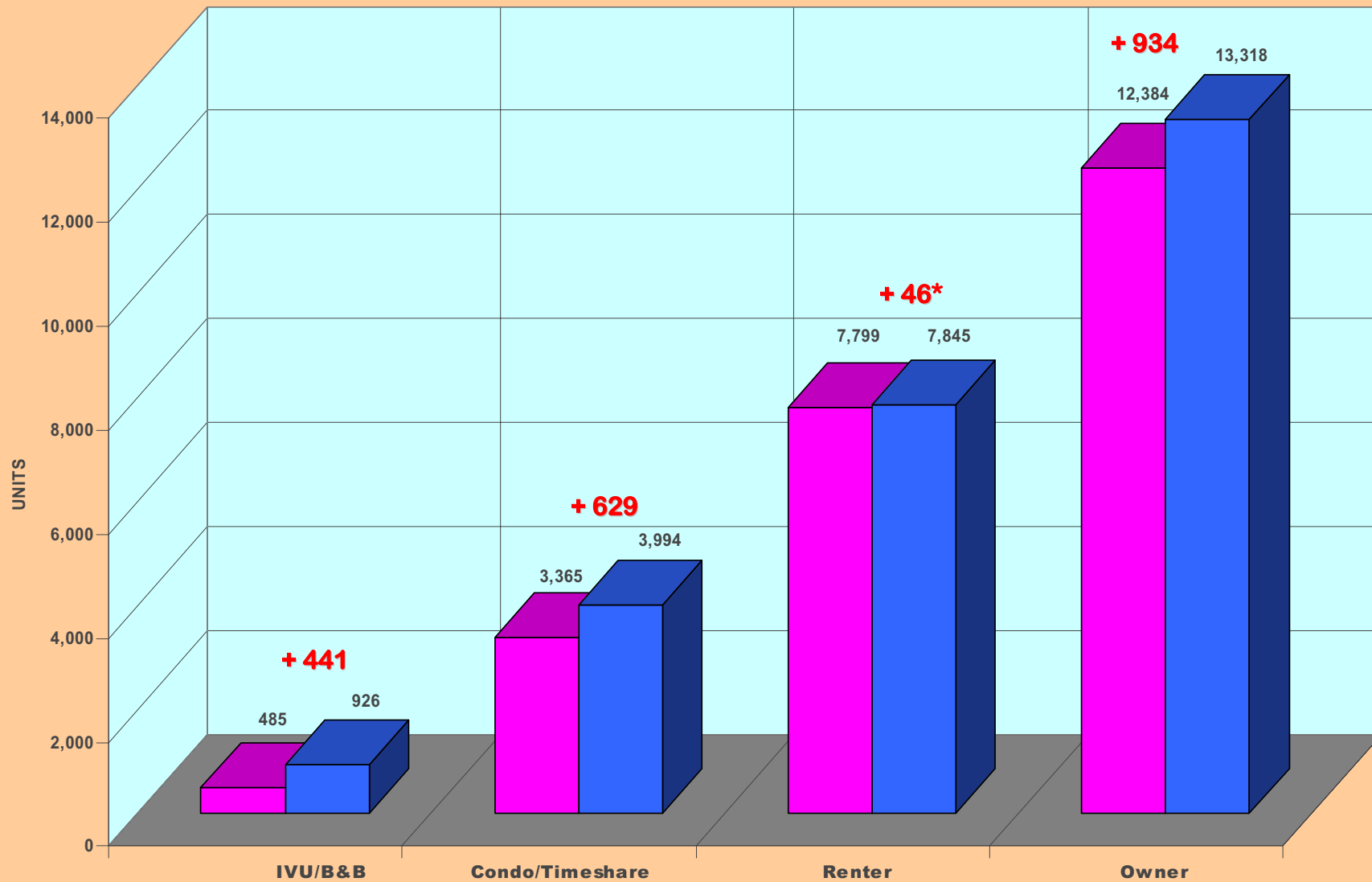


## 10 NEIGHBORHOODS WITH VACATION RENTAL CLUSTERS



SOURCE: The Kauaian Institute based on Census and field data.

## HOUSING UNIT CHANGE SINCE 2000



■ 2000 ■ 2004

SOURCE: The Kauaian Institute, estimated from Census 2000 and current field data.

NOTE: \*Renter estimate is net of an estimated 107 conversions to short-term rental.